

February 2007

STATE  
DEPARTMENT

State Has Initiated a  
More Systematic  
Approach for  
Managing Its Aviation  
Fleet



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# Highlights

Highlights of [GAO-07-264](#), a report to congressional committees

## Why GAO Did This Study

The Department of State's (State) Bureau of International Narcotics and Law Enforcement Affairs (INL) owns 357 helicopters and fixed-wing aircraft (valued at over \$340 million) primarily to help carry out its counternarcotics efforts, such as aerial eradication of drug crops in Colombia. INL relies on contractor support to help maintain and operate its aircraft.

In 2004, GAO analysis showed that INL lagged behind other agencies in implementing Office of Management and Budget (OMB) and General Services Administration (GSA) aviation fleet management principles. GAO was mandated to review INL's management and oversight of this fleet. GAO specifically examined (1) the extent INL has complied with OMB and GSA aviation fleet management guidance and (2) how INL has overseen its aviation support contracts.

Since INL has undertaken initiatives to address the weaknesses GAO observed, GAO makes no recommendations. GAO will follow up to ensure that these initiatives are completed, as planned. In comments on this report, State highlighted reforms under way. State also indicated that INL conducted analyses to justify most aviation investments. GAO notes, however, that the documentation provided did not reflect the key analyses called for by OMB guidance.

[www.gao.gov/cgi-bin/getrpt?GAO-07-264](http://www.gao.gov/cgi-bin/getrpt?GAO-07-264).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Jess T. Ford at (202) 512-4268 or [FordJ@gao.gov](mailto:FordJ@gao.gov).

## STATE DEPARTMENT

# State Has Initiated a More Systematic Approach for Managing Its Aviation Fleet

## What GAO Found

Despite some improvements since 2004, INL has not yet employed a systematic process for managing its aviation fleet that adheres to OMB and GSA guidance intended to help federal programs ensure that they acquire, manage, and modernize their aircraft in a cost-effective manner. However, in October 2006, INL began a number of initiatives to improve compliance with this guidance. The guidance entails three key principles: (1) assessing a program's long-term fleet requirements, (2) acquiring the most cost-effective fleet of aircraft to meet those requirements, and (3) assessing fleet performance. INL's initiatives are intended to address weaknesses in the following three areas:

- *Long-term planning.* Since 2004, INL has prepared a strategic plan and a Critical Flight Safety Program to refurbish certain aircraft and replace others to meet projected mission needs. However, this effort did not address the long-term aircraft needs of all INL aviation programs.
- *Fleet investment justifications.* INL has funded multimillion dollar aircraft investments, including the acquisition of new aircraft and major overhauls of older assets, without documenting cost-benefit and life cycle cost analyses of alternatives.
- *Fleet composition assessment.* INL has not reviewed the composition of its entire fleet to demonstrate that its aircraft are the most appropriate and cost-effective to meet mission requirements. INL is hampered in assessing the performance of its fleet because it does not have complete and reliable aircraft cost and usage data.

INL has undertaken a study to assess the aviation fleet's overall composition, identify investment needs, and assess alternative approaches for meeting those needs. INL expects completion of this and other initiatives in 2007.

Regarding contract oversight, INL has met applicable federal, agency, and contract-specific requirements for managing its aviation support contracts. In addition to direct contractor oversight, State has used quantitative measures, primarily aircraft readiness rates, to monitor and assess contractor performance.

### Examples of INL Aircraft



Source: INL.

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## Abbreviations

GSA	General Services Administration
INL	Bureau of International Narcotics and Law Enforcement Affairs
NAS	Narcotics Affairs Section
OMB	Office of Management and Budget

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United States Government Accountability Office  
Washington, DC 20548

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February 2, 2007

The Honorable Patrick J. Leahy  
Chairman  
The Honorable Judd Gregg  
Ranking Minority Member  
Subcommittee on State, Foreign Operations,  
and Related Programs  
Committee on Appropriations  
United States Senate

The Honorable Nita M. Lowey  
Chairman  
The Honorable Frank R. Wolf  
Ranking Minority Member  
Subcommittee on State, Foreign Operations,  
and Related Programs  
Committee on Appropriations  
House of Representatives

Since fiscal year 2001, Congress has appropriated about \$5 billion to the Department of State's (State) Bureau of International Narcotics and Law Enforcement Affairs (INL) for counternarcotics, counterterrorism, and law enforcement programs. State owns an aviation fleet—primarily to help INL carry out its counternarcotics efforts—that, as of September 1, 2006, totaled 357 aircraft.<sup>1</sup> Valued by State at over \$340 million, the fleet is the second largest among U.S. government civilian agencies and includes aircraft in the United States and seven other countries—Afghanistan, Bolivia, Colombia, Ecuador, Mexico, Pakistan, and Peru. INL has allocated about \$2.2 billion for aviation activities during fiscal years 2002 through 2006. The aircraft are property of the U.S. government, though some are provided to countries on a no-cost lease basis. INL uses contractor support to help operate and maintain the aircraft, which are used in a wide variety of counternarcotics operations, from spraying herbicides on coca and opium poppies in Colombia and transporting the Colombian Army in

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<sup>1</sup>This figure includes 55 fixed-wing airplanes and 222 rotary-wing helicopters that were operational. Of these aircraft, 41 were operated and maintained fully by the host government where they were based. An additional 80 were nonoperational and were in storage.

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support of its operations<sup>2</sup> to helping to secure the border between Afghanistan and Pakistan. When called upon, INL aircraft may also be used to conduct medical evacuations, search and rescue missions, and other counternarcotics-related operations. INL acquired a significant portion of its fleet since 2000 to support the implementation of Plan Colombia, established by the Colombian government in 1999 to reduce the cultivation, processing, and distribution of illegal narcotics by 50 percent over 6 years, among other goals.

In recent years, funding for INL's aviation fleet has been provided primarily through the Andean Counterdrug Initiative and the International Narcotics Control and Law Enforcement appropriations. Most of the aircraft are managed by INL's Office of Aviation (also called the Air Wing) headquartered at Patrick Air Force Base in Florida. However, other aircraft are managed by INL offices (often called a Narcotics Affairs Section or NAS) in the U.S. embassy in the countries where the aircraft are stationed.

In 2004, we reviewed the management of Air Wing's operations and found that the Air Wing had not implemented several key principles of fleet management planning, as outlined in Office of Management and Budget (OMB) and General Services Administration (GSA) guidance.<sup>3</sup> This guidance is intended to help agencies make sound decisions in acquiring aircraft and managing their aviation fleets. At that time, our analysis showed that INL lagged behind other federal programs we reviewed, particularly in terms of long-term planning and justifying acquisitions. Also, in its report on State's fiscal years 2004 and 2005 financial statements, State's external financial auditor noted that State had ineffective controls over its aviation fleet and cited this shortcoming as a material weakness.<sup>4</sup> More recently, State's Office of Inspector General reported that, due to ineffective controls in tracking and reporting on its

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<sup>2</sup>INL's aviation fleet is primarily used for counternarcotics programs. However, in 2002 and subsequent years, the Congress provided expanded authority for the use of U.S. assistance to Colombia. This authority enables the government of Colombia to use U.S.-provided helicopters and other counternarcotics assistance to combat groups designated as terrorist organizations, as well as drug production and trafficking.

<sup>3</sup>GAO, *Federal Aircraft: Inaccurate Cost Data and Weaknesses in Fleet Management Planning Hamper Cost Effective Operations*, [GAO-04-645](#) (Washington, D.C.: June 18, 2004).

<sup>4</sup>*Audit of the U.S. Department of State 2005 and 2004 Principal Financial Statements* (AUD/FM-06-12A, December 2005).

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fleet, State underreported the value of its aircraft and parts by \$162 million.<sup>5</sup> In 2005, the Senate Appropriations Committee commented that the lack of central program management and funding for INL aviation programs has resulted in contract cost growth, poor execution, and inadequate financial management. The committee directed the Comptroller General to review the management and oversight of State's aviation fleet.<sup>6</sup>

In response to this mandate, we reviewed INL's overall management of its aviation programs. We specifically examined (1) the extent to which INL has managed its aviation fleet in accordance with OMB and GSA guidance and (2) how INL has overseen aviation support contracts and whether it did so in accordance with applicable standards.

To address these objectives, we reviewed OMB and GSA guidance and related federal regulations for managing aircraft and other capital asset programs, as well as applicable federal financial and contract management regulations and guidance. We reviewed policy, program, budget, and financial documentation and interviewed cognizant officials at INL in Washington, D.C. We also examined applicable documentation and interviewed INL and contract officials about fleet operations, financial management, and contract oversight at the Air Wing's main operating base at Patrick Air Force Base, Florida, and at various sites in Colombia. We chose Colombia because about two-thirds of INL's active aviation fleet is in that country and three contractors carry out aviation programs there. See appendix I for a more detailed description of our scope and methodology. We conducted our review from February 2006 through January 2007 in accordance with generally accepted government auditing standards.

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## Results in Brief

INL has not employed a systematic process for managing its aviation fleet that adheres to OMB and GSA guidance. This guidance entails three key principles: (1) assessing a program's long-term fleet requirements, (2) acquiring the most cost-effective fleet of aircraft to meet those requirements, and (3) assessing fleet performance. Since INL offices have

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<sup>5</sup>See *Audit of the Department's Reporting of Aircraft and Aircraft Parts* (AUD/IP-06-35, September 2006).

<sup>6</sup>S. Rept. 109-96 (Senate Committee on Appropriations, *Report on Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2006*, p. 62).

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acquired and deployed hundreds of aircraft in response to the emerging needs of U.S. counternarcotics foreign assistance programs without fully adhering to federal aviation fleet guidance, INL has limited assurance that its aircraft investment decisions have been cost-effective for the government. In October 2006, INL began to take initiatives to centralize key aspects of aviation fleet management and address the following three key areas of noncompliance with OMB and GSA guidance we identified:

- *Strategic planning for aviation-related activities was not comprehensive.* According to OMB and GSA guidance, a strategic assessment of long-term fleet requirements is the basis of sound fleet management. Beginning in 2004, Air Wing prepared a strategic plan for its Air Wing operations and developed a Critical Flight Safety Program to rebuild certain aircraft and replace others to meet projected aerial eradication needs. This planning effort, however, did not address the long-term aircraft needs of other types of counternarcotics and counterterrorism activities not managed by the Air Wing, such as providing aircraft to support certain programs with the Colombian National Police and the Colombian Air Force. INL plans to complete an aviation fleet study in fiscal year 2007, which is intended to analyze the bureau's overall aircraft needs and form the basis for a long-term plan.
- *Aviation fleet investments were not systematically justified.* INL has funded major, multimillion dollar aircraft investments, including the acquisition of aircraft and major overhauls of older assets, without conducting formal analyses to justify them. According to OMB guidance, agencies should justify major investments in their aviation fleet with a capital asset plan and business case, which, among other things, analyzes three viable alternatives and calculates their life cycle costs. According to OMB and GSA officials we consulted, without such analyses, State cannot demonstrate that the investments included in the department's budgets are the most appropriate and economical for its missions. According to INL officials, however, adherence to federal guidance was not always practical for INL during the years after Plan Colombia implementation began in 2000, as program managers needed to respond rapidly to political exigencies by acquiring readily available surplus aircraft and procuring new aircraft specifically mandated by legislation. According to INL officials, INL has tasked a consulting firm to conduct the formal analyses of alternative approaches needed to justify future aircraft investments in accordance with OMB guidance. The analyses are planned to be completed in 2007. Also, INL plans to issue an aviation program policy guide in 2007 to establish policies and directives on aircraft investments.



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- *Aviation fleet cost and performance were not routinely assessed.* INL was not routinely reviewing the composition of its entire fleet, as called for under OMB guidance, to demonstrate that its aircraft are the most appropriate and cost-effective to meet mission requirements. Furthermore, INL is hampered in assessing the performance of its fleet by a lack of comprehensive and reliable aircraft cost and usage data. INL's planned aviation fleet study is expected to include an assessment of the soundness of the composition of INL's aviation fleet and identification of appropriate performance measures to be included in an annual performance plan. In 2007, INL also plans to make improvements in the compilation of cost and usage data for its aircraft.

In managing its aviation support contracts, INL has met both State's overall requirements and contract-specific oversight and management requirements. Air Wing and NAS officials interacted frequently with contract managers, made regular site visits, and reviewed regular progress reports. Furthermore, INL has established performance metrics and used them to ensure that contractors are meeting the terms of their contracts. For example, in 2005, State and DynCorp International entered into a new contract, whereby INL and DynCorp assess performance using an extensive set of indicators. Implementation of this performance measurement system has been challenging for both INL and the contractor. Metrics have not yet been developed for all aspects of contractor performance, and reliable data are not yet available for some indicators. Nonetheless, INL has used other key metrics, particularly aircraft operational readiness rates, to hold its contractors accountable for contract performance requirements. To ensure greater consistency in the implementation of aviation support contracts, INL plans to assign Air Wing the primary responsibility for managing and overseeing all aviation support contracts.

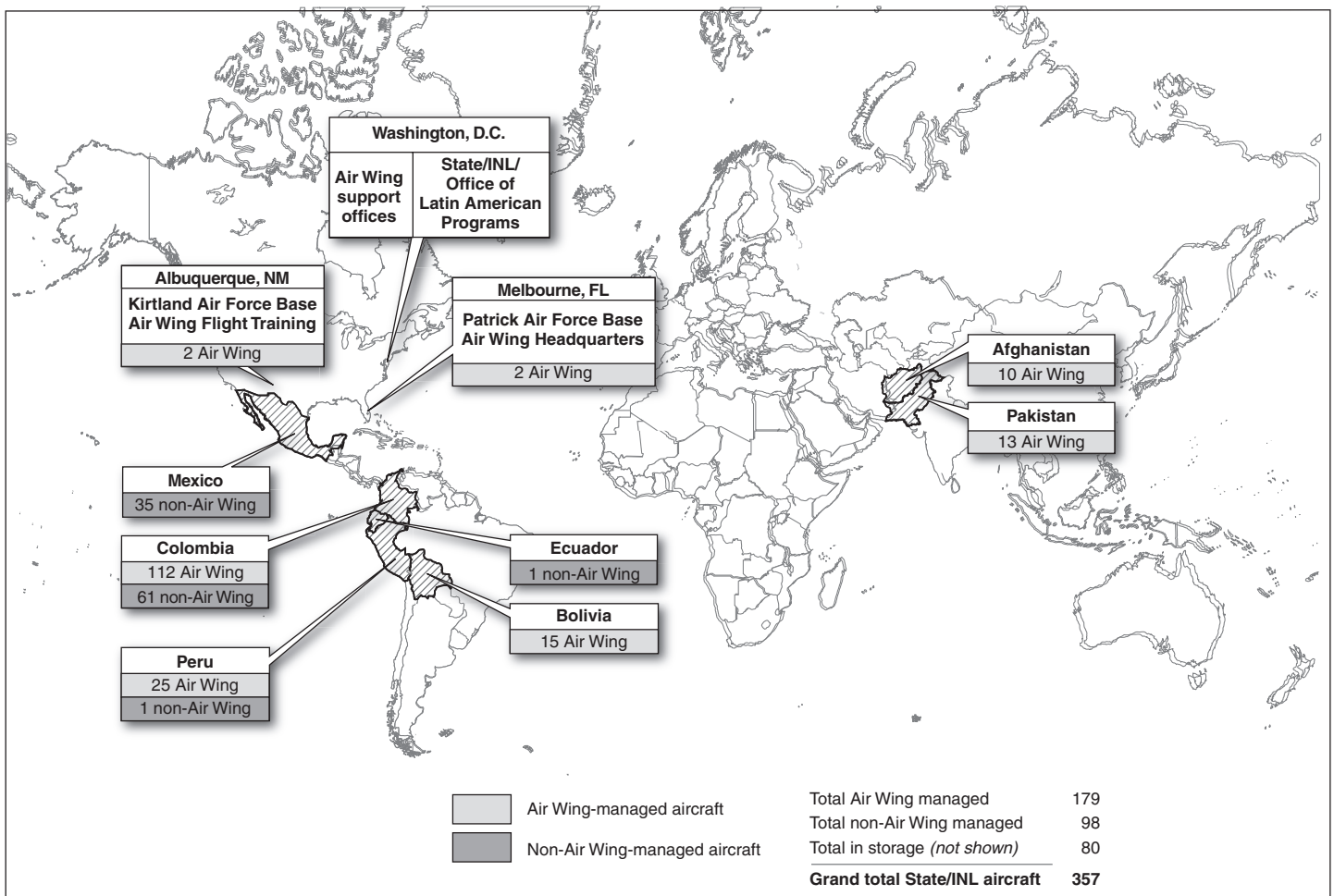
Since INL has undertaken a number of initiatives to address the management weaknesses we observed, we are not making any recommendations in this report. However, we will follow up with INL to ensure that these initiatives have been completed in 2007, as planned.

In commenting on a draft of this report, State highlighted the management initiatives under way at INL to improve the effectiveness and efficiency of aviation fleet operations, as well as to adhere to OMB and GSA guidance. State also indicated that, contrary to the observations in our report, INL conducted analyses to justify most aviation investments. However, the documentation that INL provided to us did not reflect the analyses called for by OMB guidance.

## Background

INL manages its aviation fleet in a decentralized manner. The Air Wing manages about two-thirds of INL's 357 aircraft, while the NAS at four embassies manages the remainder. Figure 1 shows the distribution of INL supported aircraft worldwide.

Figure 1: Worldwide Distribution of INL Aircraft as of September 1, 2006



Sources: GAO based on INL (data); Map Resources (map).

Note: The principal locations of the aircraft are indicated; aircraft may be relocated on a temporary basis as necessary.

The Air Wing is responsible for assisting host nations eradicate illicit drug crops and detect, monitor, and interdict drug production and trafficking operations. In Colombia, it also assists the Colombian Army with counterterrorism operations. To accomplish these missions, through its

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contract with DynCorp International, the Air Wing uses an active fleet of 179 aircraft, including helicopters and fixed-wing airplanes, to undertake aerial eradication in Colombia; support manual eradication of drug crops in Afghanistan, Bolivia, and Peru; and enhance border security between Afghanistan and Pakistan. Operations often take place in hostile environments, which can place aircraft and personnel under small arms fire. These programs are managed by the Air Wing headquarters office at Patrick Air Force Base in Florida. As the aircraft program's contractor, DynCorp performs major maintenance and initial pilot training at Patrick Air Force Base and flies and maintains U.S. aircraft and trains foreign personnel at various locations in Afghanistan, Bolivia, Colombia, Peru and Pakistan. Training for some of the spray aircraft is also conducted at Kirtland Air Force Base in New Mexico, a location that helps simulate the mountainous environment of Colombia.

In addition, the NAS offices within the U.S. embassies in Colombia, Ecuador, Mexico, and Peru manage a total of 98 aircraft to support a variety of host government counternarcotics efforts, with the involvement and oversight of the INL Office of Latin American Programs. For example, through contracts with ARINC and Lockheed Martin, the NAS in Colombia provides aircraft to assist the (1) Colombian Air Force in interdicting suspicious aircraft and (2) Colombian National Police in conducting aerial eradication and interdiction operations, humanitarian missions, and other activities. The NAS in Mexico provides both new and older model U.S. government-owned helicopters to Mexico's Office of Attorney General for use in counternarcotics operations, including aerial surveillance, border security, and training. INL also funds ARINC to assist the Government of Mexico in maintaining these aircraft.

INL supports a wide variety of rotary and fixed-wing aircraft. Some are excess defense aircraft that have been refurbished, while others were purchased for use in INL programs. Figure 2 depicts examples of types of aircraft owned and supported by INL.

Figure 2: Examples of Aircraft Owned by INL



Source: INL.

Clockwise from upper left: UH-1H helicopter, AT-802 spray plane, OV-10 spray plane, UH-60 helicopter, T-65 spray plane, C-27 cargo plane, K-1200 K-Max helicopter; center, UH-1I helicopter.

Most of the funds used to support INL’s aviation fleet come from two annual appropriations—the International Narcotics Control and Law Enforcement and Andean Counterdrug Initiative—and supplemental appropriations in some years. During fiscal year 2002 through 2006, INL records indicate that it allocated about \$2.2 billion for its aviation activities. Table 1 shows a breakdown of the total amount allocated for aviation activities by fiscal year and appropriation.

**Table 1: Funds Allocated for Aviation Activity for Fiscal Years 2002-2006**

Dollars in millions

Fiscal year	International Narcotics Control and Law Enforcement	Andean Counterdrug Initiative	Total
2002	\$67.6	\$289.0	<b>\$356.6</b>
2003	76.1	366.3	<b>442.4</b>
2004	125.3	316.4	<b>441.7</b>
2005	175.6	313.7	<b>489.3</b>
2006	168.4	348.0	<b>516.4</b>
<b>Total</b>	<b>\$613.0</b>	<b>\$1,633.4</b>	<b>\$2,246.4</b>

Source: INL “Congressional Notifications” and “Congressional Budget Justifications.”

INL allocates its aircraft funds to a NAS for some country programs and to the Air Wing. INL aircraft funding is also embedded in various program budgets, such as the Air Bridge Denial Program in Colombia. These program funds are primarily used to pay for three aviation support contractors that repair and maintain the aircraft, train aircraft crews and mechanics and, in some instances, fly the aircraft.

## Federal Guidance for Aircraft Management

OMB provides the following guidance for State and other agencies to follow in managing capital acquisitions, including aviation programs:

- Circular No. A-126,<sup>7</sup> which is intended to minimize cost and improve the management and use of governmental aviation resources, prescribes policies for acquiring, managing, using, accounting for the costs of, and disposing of aircraft. According to the circular, agencies should not have more aircraft than they need to fulfill their mission, and they should

<sup>7</sup>OMB Circular No. A-126, *Improving the Management and Use of Government Aircraft*, May 1992.

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periodically review the cost effectiveness of their entire fleet of owned aircraft.

- Circular No. A-76 establishes policy for the competition and contracting out of commercial activities, including the use of aircraft, and provides guidance for conducting cost comparisons to determine if the private sector could provide aviation services at a lower cost.<sup>8</sup>
- Circular No. A-11, Part 7, establishes policy for planning, budgeting, acquisition, and management of federal capital assets, including aircraft, and requires agencies to submit a capital asset plan and business case summary (an “Exhibit 300”) for all major capital investments, including aircraft acquisitions and overhauls.<sup>9</sup> The exhibit should demonstrate that the agency analyzed three alternatives and calculated the life cycle costs for each. OMB provides procedural and analytic guidance, including its “Capital Programming Guide,”<sup>10</sup> for implementing specific aspects of this policy.

OMB Circular No. A-126 also sets out responsibilities for GSA regarding aircraft management. In implementing this circular, GSA establishes governmentwide policy on various aspects of aircraft management, including procurement, operation, safety, and disposal, and publishes its regulatory policies in the Code of Federal Regulations. GSA, through the Interagency Committee for Aviation Policy,<sup>11</sup> also published a number of other guides and manuals to help agencies manage aircraft acquisitions, use, and disposal. Its “Fleet Modernization Planning Guide,” in particular, aids programs in developing cost-effective fleet replacement plans.

A comprehensive aviation fleet management planning process detailed in guidance that OMB and GSA have issued can help federal aircraft programs ensure that they acquire, manage, and modernize their aircraft in

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<sup>8</sup>OMB Circular No. A-76, *Performance of Commercial Activities*, May 2003.

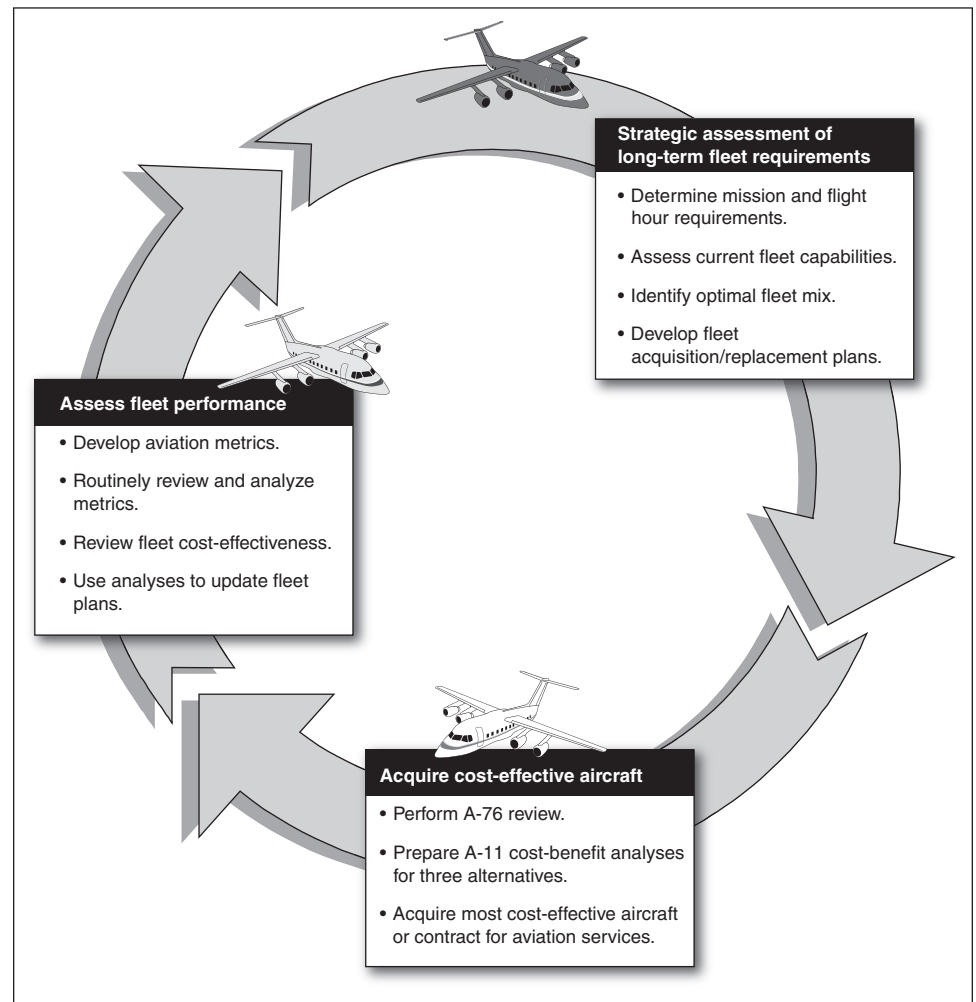
<sup>9</sup>OMB Circular No. A-11, Part 7, *Planning, Budgeting, Acquisition, and Management of Capital Assets*, revised June 2006.

<sup>10</sup>Capital Programming Guide v 2.0, Supplement to Office of Management and Budget Circular No. A-11, Part 7: *Planning, Budgeting, and Acquisition of Capital Assets*, June 2006.

<sup>11</sup>This committee is under the aegis of GSA. It formulates aviation policies for the various civilian federal departments and agencies that maintain aircraft. The committee also helps to ensure that agency aviation fleets are maintained properly and are operationally safe through on-site reviews.

a cost-effective manner. Sound fleet management decisions should be based on a comprehensive process that relies on three key principles: (1) assessing a program's long-term fleet requirements, (2) acquiring the most cost-effective fleet of aircraft to meet those requirements, and (3) assessing fleet performance to determine if the needs are being effectively met. Figure 3 illustrates the fleet management planning process, showing that it is a continuous cycle of planning and analyses.

**Figure 3: Aviation Fleet Management Planning Process**



Sources: GAO analysis of OMB and GSA's fleet management principles. Aircraft images Art Explosion.

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## State Did Not Employ a Systematic Process for Managing Its Aviation Fleet in Accordance with OMB and GSA Guidance, but Plans to Do So Are Under Way

Although INL has made limited progress since we first assessed the Air Wing's aviation fleet management in 2004 in adhering to OMB and GSA guidance, the bureau plans to undertake a more systematic management approach beginning in 2007.<sup>12</sup> The bureau has not (1) conducted a strategic assessment of all long-term fleet requirements, (2) justified new aircraft investments in a systematic way that considers the range of alternatives and life cycle costs, or (3) routinely reviewed the performance of the fleet to ensure that its composition is the most appropriate and cost-effective to achieve the bureau's missions. In August 2006, we shared our observations with INL officials about INL not adhering to OMB guidance, particularly in justifying new aircraft investments and analyzing the composition of the aviation fleet. In September 2006, after completing its own review of aviation program operations, INL officials told us that in October 2006 they would be initiating a number of steps to resolve weaknesses we observed.

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## Comprehensive Strategic Assessment of Long-term Fleet Requirements

According to GSA's guidance and the OMB "Capital Programming Guide," a strategic assessment of the long-term fleet requirements is the foundation of fleet management because it identifies future workload requirements that serve as the basis for aircraft needs. The assessment process includes specific analyses, such as an assessment of the number of flight hours needed to meet mission requirements over a multiyear period and the capability of existing aircraft to meet those requirements cost effectively. The guidance recommends that, if shortfalls in the current mix of aircraft are identified, managers should determine the optimal mix of aircraft to meet anticipated flight hour and mission requirements and develop a proposed fleet acquisition or replacement plan to achieve the desired mix of aircraft. This plan could include an anticipated schedule of time frames for disposing of inadequate aircraft and procuring replacements.

In 2004, we reported that Air Wing had not engaged in long-term planning to estimate the future, long-term mission requirements and what mix of aircraft was best suited for these requirements. Fleet planning was primarily short-term in nature and focused on identifying aircraft to meet current and the next year mission requirements.

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<sup>12</sup>The 2004 review did not include other INL programs managed by INL's Office of Latin American Programs and the NAS offices.



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Since 2004, INL has prepared a strategic plan and a Critical Flight Safety Program for Air Wing operations. The Air Wing's strategic plan addresses the goals and long-term needs of its program in terms of operations, maintenance, logistics, safety, administrative/contract support, and information technology and communication. While the strategic plan does not analyze the flight hours needed to meet mission requirements, it does specify other operational requirements, including the total area of illicit crops to be sprayed and eradicated over a number of years. The strategic plan, completed in April 2004, also indicates the mix of aircraft assets and personnel necessary to meet these goals. The Air Wing's Critical Flight Safety Program specifies how the Air Wing plans to achieve the goals in its strategic plan with the aircraft available—primarily through a combination of aircraft overhauls and aircraft acquisitions.

However, the Air Wing strategic plan and accompanying Critical Flight Safety Program did not address the aircraft needs of several INL aviation-related activities. For example, the strategic plan did not estimate the operational requirements or flight hours needed to continue supporting the Colombian Army's operations, including protection of the Caño Limón-Coveñas pipeline.<sup>13</sup> Further, the Critical Flight Safety Program did not address the long-term aircraft needs of other INL aviation-related programs, such as assistance to the Colombian National Police or the Colombian Air Force's Air Bridge Denial Program,<sup>14</sup> or assistance to Mexico's Office of Attorney General. These other programs represent over a third of INL's active aviation fleet and, in some cases, aircraft are closely related to Air Wing operations, such as the aircraft that NAS Colombia provided to the Colombian National Police to support aerial eradication.

According to INL officials, INL plans to conduct an aviation fleet study in fiscal year 2007. The study is expected to take 9 months to complete and include a needs analysis of INL's current aviation fleet. The resulting report is expected to specify aircraft requirements in terms of a number of variables, including payload, range, speed, endurance, availability, and

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<sup>13</sup>For more information about this program, see GAO, *Efforts to Secure Colombia's Caño Limón-Coveñas Oil Pipeline Have Reduced Attacks, but Challenges Remain*, [GAO-05-971](#) (Washington, D.C.: Sept. 6, 2005).

<sup>14</sup>For more information about this program, see GAO, *Air Bridge Denial Program in Colombia Has Implemented New Safeguards, but Its Effect on Drug Trafficking Is Not Clear*, [GAO-05-970](#) (Washington, D.C.: Sept. 6, 2005).

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maintainability, among other factors. This study is intended to form the basis of a long-term plan for all aviation-related programs in 2007.

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## Justification of Aviation Fleet Investments Decisions

Until recently, INL had not taken actions to prepare the analyses prescribed by OMB and GSA to help justify aviation fleet investment decisions. Nor had INL established a set of policies and procedures for aviation acquisitions.

## Analyses of Alternatives Were Not Prepared Until Recently

According to GSA guidance, after identifying potential aircraft and developing a proposed fleet replacement plan, aviation managers should develop a series of analyses to identify and acquire the most cost-effective aircraft to meet mission needs. These analyses should include preparing a study, as described in OMB Circular No. A-76, to determine whether the aviation operations should be performed by the government or contracted to the private sector. Also, for all major investments, agencies should prepare a capital asset plan and business case summary as described in OMB Circular No. A-11, Part 7, Exhibit 300, which should include the results of an analysis of three alternatives, in addition to the current arrangement, to help ensure that the most cost-effective investment is selected. For this comparison of alternatives, a life cycle cost analysis is needed to provide managers with important information concerning the total cost of operating and maintaining an aircraft over its useful life. Such documents should be prepared to support acquisition of new aircraft, as well as modernization or enhancements of aircraft already in operation. Once these analyses are completed, aviation managers should obtain senior management approval and then acquire needed aircraft or commercial aviation services.

In 2004, we reported that INL used no set criteria for Air Wing aircraft acquisitions and could not provide any A-76 cost comparison studies or cost-benefit analyses supporting its aircraft acquisitions. According to INL officials, the exigent circumstances of its programs precluded preparation of cost-benefit and other detailed analyses. INL acquired a large number of aircraft since 2000 to support Plan Colombia and other counternarcotics and counterterrorism efforts in Colombia, including 33 UH-1N, 25 UH-1H, and 14 UH-60 Black Hawk helicopters. Some of the aircraft acquired were surplus aircraft that were made available under a relatively short time frame; other aircraft acquisitions were congressionally directed.

Since 2004, INL has continued to make multimillion dollar investments in its aviation fleet, both by acquiring new aircraft or refurbishing older aircraft it had previously acquired, without conducting the analyses

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prescribed by OMB. According to officials we spoke to at OMB, the Air Wing, NAS Colombia, and the Office of Latin America Programs, the bureau has never prepared OMB-required justifications, as laid out in Circulars Nos. A-76 and A-11, for any of its aircraft investments. For example, in fiscal year 2006, the Air Wing began implementing its Critical Flight Safety Program, expected to cost a total of \$356 million over 6 years, to upgrade and overhaul the aviation fleet used for Air Wing operations. This investment includes refurbishing several Vietnam era OV-10 observation airplanes and UH-1N helicopters to extend their useful life and make them more commercially supportable and procuring new UH-60 and UH-119 helicopters. However, the documentation Air Wing provided us did not include cost-benefit analyses of alternatives or a calculation of life cycle costs for each element of the program. Similarly, in 2004, INL began acquiring 12 new Schweizer SAC 333 helicopters to support Mexico's Office of Attorney General's antinarcotics efforts, at a cost of about \$15 million, without conducting the analyses called for in OMB Circular Nos. A-76 and A-11 to justify the acquisitions.

According to OMB and GSA officials we consulted, without the analyses called for in OMB guidance, State cannot be reasonably certain whether the aircraft procurements and refurbishments reflected in their budgets are the most appropriate and economical alternatives. In particular, we found little evidence that important cost and operational considerations were formally taken into account when INL decided to refurbish OV-10 spray aircraft. A NAS Colombia official indicated that this was not an appropriate investment for Colombia because, among other reasons, the Colombian government does not have the capacity to maintain these aircraft after U.S. support for the aerial eradication program ends. The NAS, therefore, decided to purchase new and commercially available AT-802 crop dusting aircraft to conduct aerial eradication in Colombia. Representatives of DynCorp International, the contractor responsible for maintaining both aircraft, argued that the AT-802 was more practical and cost-effective to maintain than the OV-10. Air Wing officials considered the OV-10 refurbishment to be more appropriate because it kept in service an aircraft with important safety characteristics, including a dual engine configuration and ejection seats. A formal analysis of alternatives, including a calculation of life cycle costs, could have weighed these considerations on a more objective basis.

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INL Had Not Established Acquisition Policies and Procedures

INL has recently taken steps to justify its aircraft investment decisions better. As directed by an appropriations conference committee,<sup>15</sup> INL prepared an analysis of alternatives for the procurement of new spray aircraft to support its aerial eradication program in Colombia. In August 2006, we shared our observations with INL about the lack of supporting analysis for its aircraft investments. In October 2006, INL tasked a private consulting firm with conducting analyses in accordance with OMB Circulars Nos. A-11 and A-76 to justify an aircraft acquisition intended to replace leased transport aircraft to support counternarcotics activities in Afghanistan. In addition, as part of its 2007 fleet study, INL has tasked the same consulting firm to prepare a capital asset plan and business case, in accordance with OMB Circular No. A-11, that would identify and analyze alternatives for filling INL's aircraft needs.

OMB Circular No. A-126 requires agencies to issue internal directives and policies for acquiring and managing aircraft. Responsibility for implementing these policies should be assigned to a senior management official who has the agencywide authority and resources to implement them. INL has not established bureauwide directives and policies relating to aviation acquisition that incorporate OMB guidance. Program managers we spoke to at INL and NAS Colombia were unaware of key OMB acquisition guidance and were unsure about the roles and responsibilities of the various INL offices in preparing the justification OMB circulars call for.

INL plans to issue an "Aviation Program Policy Guide" that will set forth policies, procedures, and responsibilities for managing the bureau's aviation fleet and serve as a vehicle for planning, coordination, and dispute resolution. While INL has designated the director of the Air Wing as the senior aviation management official for its aviation fleet, this official's authority, roles, and responsibilities will be defined in the policy guide, according to an INL official. INL expects that the policy guide will be completed in 2007 and reflect OMB guidance about justifying aviation fleet investments.

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<sup>15</sup>H. Rept. 109-265 requires that, prior to the obligation of funds for the procurement of aircraft, State shall provide the Committees on Appropriations with an analysis of alternatives.

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## Assessment of Fleet Composition and Performance

According to OMB Circular No. A-126, agencies are required to review periodically the continuing need for all of their aircraft and the cost-effectiveness of their aircraft operations, and then should report any excess aircraft and release all aircraft that are not fully justified by this review. A copy of each agency review should be submitted to GSA and to OMB with the agency's next budget submissions. Federal regulations call for such studies every 5 years.<sup>16</sup> Finally, managers should incorporate the results of their periodic Circular No. A-126 reviews into their long-term fleet planning process and make adjustments to their fleets as needed. We found that INL has neither assessed the composition of its aviation fleet, nor fully tracked cost and usage of its aircraft.

### Aviation Fleet Composition

In 2004, we reported that INL had not followed OMB Circular No. A-126 for reviewing the composition of its entire fleet to ensure its cost-effectiveness.<sup>17</sup> According to INL officials we spoke with, the bureau has still not conducted the type of fleet review that is called for under OMB Circular No. A-126. Without such a review, INL cannot demonstrate that the composition of its fleet and planned additions to it are appropriate and cost-effective.

INL has included in the scope of its fleet study an assessment of the soundness of the fleet composition and possible alternative aircraft or approaches to consider. Also, as part of the fleet study, the bureau plans to identify cost-effective performance measures that can be used in an annual performance plan.

### Aircraft Cost and Usage Data

Detailed cost and usage data are critical for assessing the cost-effectiveness of aircraft, and Circular No. A-126 and related federal regulations require agencies to collect this data in a standardized format for their entire aviation fleet. One of the most common measures used to evaluate the cost-effectiveness of various aspects of an aircraft program is expressed as the cost per flying hour for certain types of aircraft costs. Other measures include, but are not limited to, maintenance costs per flying hour; fuel and other fluids costs per flying hour; and accident repair costs per flying hour (or per aircraft). Federal regulation 41 C.F.R. 102.33-425 requires federal agencies to accumulate and report to GSA aircraft usage data and the cost of operating each aircraft based on the standard

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<sup>16</sup>41 C.F.R. §102-33.200.

<sup>17</sup>In 2004, we found that of the seven aviation programs we examined, only one program (the Department of Interior's Fish and Wildlife Service) had completed an A-126 review.

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aircraft program cost elements defined in OMB Circular No. A-126.<sup>18</sup> In 2004, we reported that State's fiscal year 2000 through 2002 aircraft program costs reported to GSA were significantly understated.<sup>19</sup>

However, State's information systems do not capture the data necessary for INL to fully adhere to OMB guidance and related federal regulation regarding compiling and reporting data on the cost and usage of its aviation fleet and individual aircraft. In a September 2006 audit of State's aircraft, the State Office of Inspector General determined that State did not have a comprehensive and effective cost management system to record, maintain, and report timely, reliable data on its aircraft.<sup>20</sup> To provide GSA the required information on aircraft cost and usage, the Air Wing developed an information system called the Air Wing Information System that compiles cost and usage data such as flight hours per aircraft and other related information. However, although the system captured cost and usage data for the 179 aircraft managed by the Air Wing, it did not do so for the 98 aircraft managed by the Office of Latin American Programs and the NAS offices in Colombia, Ecuador, Peru, and Mexico.

Additionally, due to financial management system deficiencies and weaknesses in key internal controls, INL could not provide us sufficiently reliable<sup>21</sup> data on the status of the funds allocated for its aviation fleet. We requested from INL the amounts obligated, expended, and available from fiscal year 2001 through 2005 appropriations used to acquire, operate, and maintain its aviation fleet. INL could not provide the necessary data because its financial management systems do not readily identify aviation-related costs, even though State has taken steps to improve data completeness and additional improvement efforts are under way. Further, the systems do not accumulate data on the cost of operating individual aircraft based on the standard cost elements prescribed by OMB, such as costs related to crew, maintenance, engine overhaul, and fuel. INL officials told us that it would have to conduct a manual review of thousands of

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<sup>18</sup>GSA maintains the Federal Aviation Interactive Reporting System to track aircraft cost and usage data reported by federal agencies.

<sup>19</sup>[GAO-04-645](#).

<sup>20</sup>AUD/IP-06-35 (September 2006).

<sup>21</sup>We planned to review a statistical sample of INL aircraft financial transactions. However, due to data incompleteness and inconsistencies, we determined that INL aircraft financial data files were not sufficiently reliable for our planned statistical sampling. See appendix I for additional information.

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transaction documents to identify all aircraft costs. We also noted weaknesses in key internal controls over the recording of financial transactions and management of funds.<sup>22</sup> Specifically, INL had limited bureauwide written procedures addressing (1) how its staff should reconcile the financial records that overseas posts independently maintain with State's Regional Financial Management System<sup>23</sup> or (2) an effective method of reviewing outstanding obligations for identifying excess funds. These controls are critical to ensuring accurate and complete data on the status of funds allocated for INL aviation fleet.

Although State is implementing two new financial management systems, neither is designed to generate the detailed data INL needs to analyze the cost-effectiveness of its aviation fleet. INL is spending about \$1 million to implement a new bureauwide financial management system, called the Local Financial Management System, to standardize how each NAS records financial activity to provide more visibility over NAS financial activity to INL headquarters. State's Bureau of Resource Management is also implementing a new departmentwide financial management system called the Global Financial Management System.<sup>24</sup> However, like the existing systems, neither the new INL nor the departmentwide systems incorporate the standard program cost elements outlined in OMB Circular No. A-126 and the related federal regulation. Officials in State's Bureau of Resource Management informed us that they were not familiar with INL's cost data requirements when designing the Global Financial Management System. Without the ability to accumulate and summarize aircraft costs by standard program elements, INL will be limited in determining whether its aviation fleet is managed in a cost-effective manner.

State has taken steps to improve its ability to compile and report aircraft cost data, such as establishing appropriate codes in its accounting system. Further, INL plans to assign responsibility for reporting cost and usage

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<sup>22</sup>The Comptroller General's *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999) require that federal agencies document internal control procedures in their management directives, policies, and manuals and that such documentation, as well as evidence the control procedures are actually performed be readily available for review. Furthermore, transactions and events are to be completely and accurately recorded.

<sup>23</sup>The Regional Financial Management System processes foreign posts' financial activity and provides information to the Central Financial Management System—State's primary financial management system.

<sup>24</sup>This system will replace the Central Financial Management System.

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data for all INL aircraft to the Air Wing, regardless of which office manages the aircraft. According to an Air Wing official, the Air Wing plans to modify the Air Wing Information System to capture fleetwide cost and usage data. The Air Wing, according to the same official, expects the modification to help INL meet GSA reporting requirements and greatly improve its ability to capture selected aircraft cost elements. Furthermore, INL plans to use OMB Circular No. A-126 standard aircraft program cost elements to prepare a template to standardize budget line items used for all aviation-related programs. Finally, State officials responsible for implementing the Global Financial Management System told us that they plan to address INL's cost data requirements after the system is implemented in fiscal year 2007 but were not sure whether the new system can provide the cost data capabilities needed by INL.<sup>25</sup>

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## INL Has Met Contract Oversight and Evaluation Requirements

Federal regulations require federal agencies to develop and perform contract quality assurance procedures to verify that services and supplies provided conform to contract requirements and to maintain suitable records enumerating quality assurance actions.<sup>26</sup> Since 2004, State regulations have specified a policy that all new service contracts be performance-based, with clearly defined deliverables and performance standards.<sup>27</sup> The aviation support contracts with DynCorp International, Lockheed Martin, and ARINC comply with these regulations and use performance-based metrics to assess contractor performance; however, the Lockheed Martin and ARINC contracts make less intensive use of such metrics.<sup>28</sup> Currently the responsibility for contractor oversight for Lockheed and ARINC is divided among NAS officials in Colombia, the

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<sup>25</sup>We note that one of the key causes of financial management system projects not meeting their cost, schedule, and performance goals across the federal government is agencies not following a disciplined process for defining and managing system requirements. See GAO, *Financial Management Systems: Additional Efforts Needed to Address Key Causes of Modernization Failures*, [GAO-06-184](#) (Washington, D.C.: Mar. 15, 2006).

<sup>26</sup>48 C.F.R. § 46.104.

<sup>27</sup>48 C.F.R. § 637.6.

<sup>28</sup>The Lockheed and ARINC contracts are not directly between State and the companies but are task orders under indefinite quantity, indefinite delivery contracts between Lockheed and ARINC, respectively, and the U.S. Army Communications and Electronics Command in Fort Monmouth, New Jersey. A task order is a contract for services that does not procure or specify a firm quantity of services (other than minimum and maximum quantities) and that provides for the issuance of orders for the performance of tasks during the contract period. For convenience, we refer to these task orders as contracts throughout this report.



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government task leaders in Washington, D.C., and the contractors located in Colombia. INL plans to centralize contractor oversight by assigning Air Wing staff the responsibility for managing all aviation support contractors.

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## DynCorp International

In 2005, State and DynCorp International entered into a new performance-based contract<sup>29</sup> whereby State and DynCorp assess contractor performance using an extensive set of indicators. The contract establishes standards for several functional areas across which performance is measured, including maintenance, logistics, operations, safety, and training. Within these areas, State and DynCorp track 84 specific performance metrics (such as hectares of illicit crop eradicated, percentage of total aviation fleet available, and host nation training hours performed) to help assess DynCorp's performance.

In order to manage the oversight of these performance categories, State and DynCorp use an online tracking system and database; however, this system has limitations. The performance categories in this system, called SeeSOR, correspond to the 84 metrics specified in the contract. The SeeSOR system provides a quality assurance checklist for each activity and an inspection schedule, regularly prompting State and DynCorp managers to enter performance information. In the case of poor ratings, the system automatically produces corrective action reports, and DynCorp managers track these corrective actions by time and inspector. Each corrective action issue requires a response within a specified time frame. However, INL and DynCorp officials in Colombia told us that SeeSOR is not a comprehensive quality assurance or contract management tool because it does not include certain activities that DynCorp performs. For example, force protection, which DynCorp does in Colombia, is not incorporated into the system. Also, computer network difficulties make regular data entry from remote locations in the field problematic. Between November 2005 and September 2006, DynCorp conducted over 400 audits of information in the system and found 104 issues requiring corrective action. State and DynCorp are still fine tuning the system to improve its ability to measure contractor performance in an environment such as Colombia.

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<sup>29</sup>The contract is primarily a fixed-price contract with an award fee, incentive fee, and award term, which allows for up to a 10-year performance period.

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Consequently, State and DynCorp use means other than the SeeSOR system, such as personal contact, to help oversee contractor performance. According to INL officials in Colombia, personal contact between INL and DynCorp is the most valuable monitoring tool. INL and DynCorp personnel talk and exchange e-mails throughout the day to identify issues that need attention. In addition, State program managers conduct daily “walk through” inspections of facilities in Bogotá and make unannounced site visits to forward operating locations. The DynCorp manager in Colombia also relies on daily oral communication with contractor staff outside of Bogotá to stay aware of issues in the field. Further, DynCorp provides a detailed briefing to INL every week, which addresses performance across all functional areas of the contract. All advisers and managers are expected to attend, and minutes are kept of these meetings. Also, State conducts monthly reviews of aircraft and eradication reports and formally evaluates DynCorp’s performance every 4 months.

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## Lockheed Martin

State and Lockheed Martin began a 4-year contract in July 2006 that implements a performance-based method for assessing contractor performance. In the contract, Lockheed Martin and its subcontractor<sup>30</sup> work closely with the Colombian National Police to support its illicit drug eradication and interdiction and humanitarian missions, with responsibility for aircraft maintenance, logistics, police training, and multiple construction projects at bases across Colombia. Under the contract, the government task leader must hold regular status meetings, and Lockheed Martin is required to submit monthly performance reports containing, among other things, accomplishments and issues that arose during the reporting period, projected future activities, and subcontractor performance relative to agreed upon metrics. Lockheed Martin also must implement and maintain a quality assurance system to ensure that product and service integrity meet or exceed contract requirements. In addition, the contract specifies specific performance standards in program management, quality control, safety, aircraft maintenance, logistics, support maintenance, training, and information technology. For example, one maintenance standard specifies that the contractor sustain a 75 percent aircraft operational readiness rate.

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<sup>30</sup>Lockheed Martin’s subcontractor, Contracting, Consulting, Engineering LLC, performs most of this work.

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In Colombia, we observed that State maintained regular contact with the contractor and the Colombian National Police to assess compliance with contract requirements. State's oversight measures included monitoring performance in functional areas, such as maintenance, logistics, training, and safety. While the program manager stated that the principal performance metric was aircraft readiness rates, State received and reviewed daily and monthly status reports, memos, and trip reports, and participated in a quarterly program management review covering the functional areas above. State attends weekly maintenance meetings between Lockheed and the Colombian Police. In addition, the contractor also performed random site visits and fuel inspections, reporting the findings to the NAS program manager. The NAS uses standards from the U.S. Army Aviation Management System to produce and issue standard operating procedures in most functional areas.

However, the planned nationalization of this program and its heavy involvement with and dependence on the Colombian National Police has presented challenges to implementing an effective performance-based contract. Personnel problems within the police force have adversely affected the contractor's ability to meet nationalization or its aircraft readiness rate goals. For instance, the contractor reported absentee rates among police trainees in the logistics branch as high as 25 percent. Further, over half of Colombian helicopter mechanics were not sufficiently skilled to perform more than routine maintenance tasks and, therefore, required more contractor supervision than planned. The contractor also has little influence over personnel decisions within the police force. The Colombian police frequently rotate their trainees to different positions, which hampers the development of specialized skills and the ability of the contractor to pass on responsibility and nationalize the program. For example, the contractor logistics office reported working with seven different Colombian officers in 4 years. In another case, a police trainee attended a specialized and lengthy course for engine oil analysis in the United States, only to be transferred out of maintenance shortly after returning to Colombia. Program managers have corrected some of these training issues and now track the training Colombian police personnel receive to help ensure that only committed and appropriately skilled trainees receive detailed instruction.

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## ARINC

Under the ARINC contract, which began in June 2004 and could extend to 4 years, State has established a performance-based system to monitor contractor performance. Our review focused on State's assessment of ARINC's contract performance in support of the Air Bridge Denial

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Program. The objective of this program is to suppress the illicit aerial trafficking of narcotics in Colombian airspace by tracking and forcing down suspected traffickers. ARINC is responsible for, among other things, maintaining seven aircraft and training Colombians to maintain these aircraft. Reporting requirements include monthly performance reports containing, among other things, accomplishments and issues that arose during the reporting period, projected future activities, and performance relative to the agreed upon metrics. In addition, the contract specifies performance standards in operations, logistics, training, and project management, among others.

We found that State was in compliance with contractor oversight requirements and that, in many cases, ARINC exceeded its reporting requirements in the contract. State is in daily personal contact with the Air Bridge Denial Program manager. Although the program manager told us that he did not have the quality assurance plan required by the contract, we found that ARINC's reporting to State included many of the quality assurance plan requirements, such as training standards and reviews. The NAS program manager also received and reviewed flight activity reports on a daily, weekly, and monthly basis. In addition, the program manager participated in regular meetings to discuss the status of aircraft, training, and operations, and conducted a semiannual review, as well as an annual program certification. The program manager made monthly visits to Air Bridge Denial locations and shared trip reports with cognizant State officials.

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## INL Plans to Centralize Contractor Oversight

INL plans to centralize contractor oversight by assigning Air Wing staff the responsibility for managing all aviation support contractors. Under this arrangement, INL plans to compile information on aircraft performance in one central location. This will enable INL managers to assess performance of the entire fleet more consistently, and more readily collect the data that INL needs to assess the overall composition and cost-effectiveness of the aviation fleet.

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## Conclusions

INL's aviation fleet has grown at a rapid pace to meet emerging, global counternarcotics and counterterrorism priorities. However, INL did not systematically employ federal management principles and guidelines in acquiring this fleet. As a result, key analyses were not done to help ensure that INL program managers made cost-effective decisions, particularly with regard to major investments in the fleet. In October 2006, INL officials began initiating significant changes to the oversight of aviation fleet

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operations, placing particular emphasis on conducting key analyses of its fleet to help guide future investment decisions and adhere to OMB and GSA guidance. If INL follows through, these analyses should result in a long-term plan for aircraft investments and an assessment of the current composition of the fleet to help ensure that it is the most cost-effective to meet mission requirements. Current plans call for these to be completed in 2007. Since INL has undertaken a number of initiatives to address the management weaknesses we observed, we are not making any recommendations in this report. However, we will follow up with INL to ensure that these initiatives have been completed in 2007, as planned.

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## Agency Comments and Our Evaluation

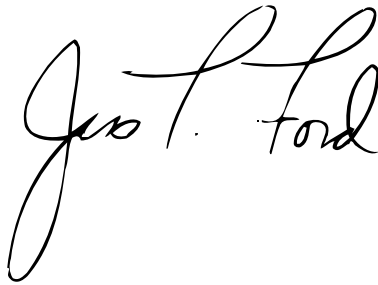
State provided comments on a draft of this report (see app. II). In its comments, State acknowledged that our work, among others, was an impetus for a comprehensive internal review of aviation management and expressed appreciation to us for confirming areas needing continued improvement. State highlighted the management reforms INL has undertaken to enhance the efficiency and effectiveness of aviation fleet management, as well as to improve INL's adherence to OMB and GSA guidance. State also noted operational circumstances that make such adherence challenging. State disagreed with our observation that INL did not provide fleet investment justifications using cost-benefit and life-cycle analyses of alternatives. State indicated that considerable analysis was done to evaluate economically sound alternatives in most previous aircraft investments. However, the documentation INL provided did not include the analyses called for by OMB guidance. Without documentation of such analyses, we were not able to assess whether State's investment decisions were appropriately justified in accordance with this guidance. In addition to these comments, State provided us technical comments, which we have incorporated throughout the report, as appropriate.

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We are sending copies of this report to interested congressional committees and the Secretary of State. We also will make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

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If you or your staff have any questions concerning this report, please contact me at (202) 512-4268 or [FordJ@gao.gov](mailto:FordJ@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Jess T. Ford". The signature is written in a cursive style with a large, looping initial "J" and a distinct "T" and "F".

Jess T. Ford  
Director, International Affairs and Trade

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# Appendix I: Scope and Methodology

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To assess the extent to which the Bureau of International Narcotics and Law Enforcement Affairs (INL) has managed its aviation fleet in accordance with Office of Management and Budget (OMB) and General Services Administration (GSA) guidance, we reviewed the applicable guidance and discussed progress in adhering to this guidance with State and contractor officials at INL offices in Washington, D.C.; Melbourne, Florida; and Colombia, reviewing relevant documents, where appropriate. We chose to focus our review primarily on operations in Colombia because nearly two-thirds of INL's active aviation fleet is in that country, and three contractors carry out programs there. We obtained information on the number and distribution of aircraft from INL officials and determined that this information was sufficiently reliable for the purposes of this report.

- To assess how INL conducted strategic planning to identify long-term aircraft needs, we obtained and reviewed planning documents prepared by the bureau, including Bureau Performance Plans, the Air Wing Strategic Planning Summary, and the documentation of the Critical Flight Safety Program. We reviewed the content of the planning documents and determined the extent to which it reflected information provided about INL fleet operations we obtained from INL officials. We based our assessment of the bureau's planning documents on federal guidance described in a prior report on federal aircraft.<sup>1</sup>
- To assess how INL justified investments in its aviation fleet, we reviewed documentation, where available, and discussed major ongoing and planned aircraft investments with relevant bureau officials. In particular, to assess the justification for the Critical Flight Safety Program, we discussed this program with Air Wing officials and DynCorp representatives in Melbourne, Florida, and with NAS officials in Bogotá, Colombia. We discussed justification of aircraft acquisitions for counternarcotics programs in Mexico with officials from the INL Office of Latin America Programs. We based our assessment of justification documentation on federal guidance presented in OMB Circulars Nos. A-76, A-126, and A-11 Part 7, and OMB's "Capital Programming Guide." To obtain a better understanding of the applicability of this guidance, we spoke with officials from OMB and GSA's Aircraft Management Policy Division, and a representative from Conklin and DeDecker Company, a GSA contractor that assists federal agencies with developing cost-benefit analyses for their aviation programs.

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<sup>1</sup>[GAO-04-645](#).

- To determine how INL assessed the cost and performance of its aircraft and ensured that the composition of the fleet was cost-effective, we reviewed documentation and interviewed bureau officials in Washington, D.C.; Air Wing officials in Florida; and Narcotics Affairs Section (NAS) officials in Colombia. To obtain an understanding of the systems and procedures INL used to track its aircraft funding and related obligations and expenditures, we gathered information from INL accounting and budget officials. We reviewed INL financial management handbooks as well as automated systems' documents. We identified and evaluated key internal controls INL uses to ensure the completeness and accuracy of recorded appropriated funds and the status of those funds. We assessed INL's reconciliation procedures with requirements found in the Comptroller General's *Standards for Internal Control in the Federal Government*.<sup>2</sup> To identify and report the amount of funds allocated to aviation activities, we obtained and reviewed Congressional Notifications and Congressional Budget Justifications for the Andean Counterdrug Initiative and International Narcotics Control and Law Enforcement appropriations. We identified aviation related activities and compiled funding data for these activities by appropriation and fiscal year. Based on our efforts to determine the reliability of the aviation activity allocations, we concluded that these data were sufficiently reliable for the purposes of this report.

We also planned to review a statistical sample of INL aircraft financial transactions for fiscal years 2001 to 2005 to assess the reliability of recorded aircraft financial data. For each fiscal year, we requested the total appropriated funds used for aircraft acquisition, operation, and maintenance, along with the status of those funds—amounts obligated, expended, and available. For obligated and expended funds, we requested separate, detailed transaction-level data files that supported the obligation and expenditure levels reflected in the status of the fiscal year funds. State provided data files from NAS offices, its Office of Aviation, and its Central Financial Management System. We performed a data reliability analysis of the files provided to determine whether we could use the data files for the selection of our planned statistical sample. We noted that the data files were not complete; for example, NAS offices and the Office of Aviation data files did not include detail listings of expenditure transactions. We also noted inconsistencies in the data files State provided us. For example, the Central Financial Management System data files contained

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<sup>2</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).



expenditure records for the Office of Aviation but no related obligation records. Due to the aircraft financial data files being incomplete and the inconsistencies we identified, we determined that the INL aircraft financial data files were not sufficiently reliable for our planned statistical sampling.

To assess how INL monitors its contract costs and performance, we gathered and analyzed contract documents and interviewed agency and contract officials to determine each contract's scope, activities covered, and oversight requirements. In addition, we interviewed contract office representatives from the three main contractors identified in our review: Lockheed Martin Systems Management, LLC; DynCorp International LLC; and ARINC Engineering, LLC, and analyzed contract documents and reports to determine performance issues. The Lockheed and ARINC contracts are not directly between State and the companies, but are task orders under indefinite quantity, indefinite delivery contracts between Lockheed and ARINC, respectively, and the U.S. Army Communications and Electronics Command in Fort Monmouth, New Jersey. In Colombia, we discussed aircraft operations and maintenance issues with NAS, Air Wing, and contract staff at various operational sites in the country. We met officials with primary responsibility for the Colombian Police's aerial eradication program and the Colombian Army's aviation program at the Office of Aviation headquarters at El Dorado Airport in Bogotá. We also met with managers, pilots, and mechanics and observed flight operations and maintenance at two aerial eradication operating locations—Barrancabermeja and San Jose—and the Colombian Army Aviation Brigade headquarters at Tolemaida. In addition, we met with NAS and contractor staff overseeing Colombia's Air Bridge Denial Program at Apiay and the Colombian National Police's aviation program at the Colombian police main operating base at Guaymaral near Bogotá.

# Appendix II: Comments from the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



**United States Department of State**

*Assistant Secretary for Resource Management  
and Chief Financial Officer*

*Washington, D.C. 20520*

JAN 22 2007

Ms. Jacquelyn Williams-Bridgers  
Managing Director  
International Affairs and Trade  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548-0001

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "STATE DEPARTMENT: State Has Initiated a More Systematic Approach for Managing its Aviation Fleet," GAO Job Code 320406.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Patricia Yorkman, Procurement Specialist, Bureau of International Narcotics and Law Enforcement Affairs at (202) 776-8806.

Sincerely,

A handwritten signature in black ink, appearing to read "Bradford R. Higgins".

Bradford R. Higgins

cc: GAO – Al Huntington  
INL – Anne Patterson  
State/OIG – Mark Duda

Department of State Comments on GAO Draft Report

STATE DEPARTMENT: State Has Initiated a More Systematic Approach  
for Managing its Aviation Fleet  
GAO-07-264/GAO Code 320406

Thank you for the opportunity to comment on the draft report *STATE DEPARTMENT: State Has Initiated a More Systematic Approach for Managing its Aviation Fleet*.

We appreciate GAO's decision to not make any recommendations in this report in light of reforms underway. We would like to emphasize that INL undertook several actions to correct shortcomings in its aviation management, including an internal aviation management review that began in July 2006, and other efforts such as an outsourced review that began in March 2006, which evaluated INL's support activities, including those of the Office of Aviation Programs prior to the conduct of this GAO review.

Reforming INL's aviation management is an initiative begun by Assistant Secretary Patterson upon her arrival to the Bureau as a result of management concerns raised internally, as well as by GAO, OIG, and Congress. The Assistant Secretary commissioned a comprehensive internal review of aviation management in July 2006.

In addition to complying with GSA and OMB aviation fleet guidance, the INL internal review sought ways to improve the Bureau's overall aviation management and identify opportunities for efficiency and effectiveness in our aviation business models. The INL review team debriefed GAO on the comprehensive review and its interim recommendations in late September 2006.

INL began implementing major aviation management reforms in October 2006 when it took steps toward hiring an aviation consulting firm to conduct an analysis in compliance with OMB and GSA guidance concerning a proposed acquisition of a small number of new aircraft to replace airplanes currently leased in Afghanistan. That analysis is due to be completed in late January 2007. The same consulting firm is conducting a study that will assess INL's entire fleet for compliance with GSA and OMB planning and acquisition guidance and will include the preparation of an OMB Exhibit 300. While not yet formally required for submission, the Exhibit 300 will

See comment 1.

See comment 2.

allow INL to establish a capital asset plan and improve its long-term strategic planning capability and justification for fleet investments.

INL disagrees with the GAO assessment that we neglected to provide fleet investment justifications using cost-benefit and life-cycle analyses of alternatives prior to these recent initiatives. Although it was not fully documented in the OMB format, considerable analysis was done to evaluate economically sound alternatives in most previous aircraft investments.

See comment 3.

INL would like to point out that GSA and OMB guidance is designed for civilian fleets rather than foreign assistance aviation programs. For example, INL's aircraft fleet was acquired often as a result of immediate exigencies, frequently relying on excess DoD aircraft because funding was not available to purchase ideal, expensive equipment. Aircraft for which funding was actually available has normally come by way of legislation that specified the types of aircraft to be purchased (e.g. Sikorsky Blackhawk and Bell Huey-II helicopters, as well as K-MAX helicopters never requested by the Administration). These factors obviated the benefit of conducting formal analyses. Furthermore, INL's aircraft operate overseas, often in a collaborative effort with foreign government organizations that share responsibilities and supporting costs. Finally, INL aircraft often operate under paramilitary conditions, even though it is considered a civilian fleet by GSA and OMB standards. Even with these extenuating challenges, INL is fully committed to bringing its program into compliance in the coming months.

See comment 4.

See comment 5.

INL would also like to point out that it is bridging the difference between the GSA cost accounting reporting requirements and the Department's financial system structure. INL launched a Local Financial Management System in 2006 that will improve its ability to link budgetary obligation data to aviation funding for foreign affairs programs. In addition, INL has determined that the most appropriate platform to capture GSA cost accounting reporting requirements is through the Air Wing Inventory System (AWIS). This will improve INL's ability to track aviation costs and improve our funding transparency in response to previous program criticisms. In addition, INL has been heavily involved in working with the Resource Management Bureau to define requirements for and to implement a flexible Global Financial Management System data warehouse that will also improve INL's ability to track and report on INL worldwide costs.

See comment 6.

INL has implemented several other aviation reforms, including working with the Deputy Chief Financial Officer to ensure appropriate accounting for aviation assets in the Department's inventory control system and financial statements. While awaiting the results of the fleet study which will take nine months, INL is taking other specific measures for compliance with GSA and OMB guidance, including the consolidation of INL's aviation fleet under one Senior Aviation Management Official and the reporting of all INL aircraft for FAIRS. INL expects to make its first complete FAIRS reporting by June 2007.

Beyond the scope of GSA and OMB compliance, INL is moving forward with other efforts to improve the efficiency and effectiveness of its aviation management such as consolidating aviation contract administration and oversight and improving transparency in aviation budgeting. INL's internal review team found that several management inefficiencies were attributable to INL's fragmented nature in managing aviation information and business processes, some of which contributed to deficiencies in compliance with GSA and OMB guidance.

In a unification session in early November 2006, INL Air Wing and NAS officials identified methods for implementing review team recommendations for consolidating business processes, including ways for (1) improving our aviation strategic planning, (2) consolidating contract administration and oversight, (3) consolidating and standardizing cost data collection and reporting methods, and (4) improving budget communication tools.

INL appreciates GAO's assistance in confirming areas needing continued improvement and acknowledging INL efforts underway.

The following are GAO's comments on the Department of State letter dated January 22, 2007.

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## GAO Comments

1. We acknowledge INL's efforts to address the shortcomings that GAO and others have identified in its management of its aviation fleet throughout the draft report and this final version. However, we note that we began our review efforts with a formal notification to the Secretary of State in January 2006 and met with INL and other State officials to discuss our objectives in February 2006. At the time, INL did not inform us of any ongoing or planned efforts to evaluate its Office of Aviation Programs or INL's overall aviation fleet. In August 2006, we briefed INL on our preliminary findings that it had not complied with OMB and GSA guidance in managing its aviation fleet. The September briefing that INL presented to us addressed the issues we had raised and laid out the reforms it would begin in October. As a result, we concluded that recommendations for further actions were not necessary, but that we would follow up at a later date to ensure that INL's initiatives are completed, as planned.
2. We do not report that INL did not conduct any analyses. Rather, we noted in the draft report and this final version that documentation INL provided us did not reflect the key analyses called for by OMB guidance.
3. In the draft report and this final version, we report that INL officials told us that the exigent circumstances of INL's operations precluded them from doing the detailed OMB analyses. We also noted that, in some cases, Congress directed what aircraft to procure. Nevertheless, once the aircraft are in the inventory, OMB guidance requires agencies to review periodically the need for and the cost-effectiveness of the aircraft. INL has not done this, but we noted in the draft report and this final version that it has efforts under way to meet this requirement.
4. In the draft report, we noted that INL's aviation operations in Colombia often take place in hostile environments, which can place aircraft and personnel under small arms fire. We have modified the final report to note that aviation operations in other foreign locations often take place in hostile environments, too.
5. In the draft report and this final version, we point out that INL's Local Financial Management System does not provide the standard program cost elements needed to meet OMB requirements. We also note that State officials responsible for designing the Global Financial

Management System were not aware of INL's cost data requirements and are not sure the system can provide the data needed. Regarding the Air Wing Inventory System referred to, we reported in 2004 that the data in this system were significantly understated. We agree that, if the system's shortcomings are corrected, it is an appropriate tool to address GSA's reporting requirements.

6. We agree that consolidating INL's aviation fleet under a senior aviation management official is one way to address some of the shortcomings GAO, State's Office of the Inspector General, and INL's internal studies have identified. However, INL has not defined the senior aviation management official's authority, roles, and responsibilities. This is under development and will be part of INL's aviation program policy guide, which INL expects to complete later this year.

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

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## Staff Acknowledgments

In addition to the individual named above, key contributors to this report were A.H. Huntington, III, Assistant Director; Felicia Brooks; Joseph Carney; Kay Daly; Mattias Fenton; James Michels; Sylvia Schatz; Ann Ulrich; and Leonard Zapata.



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